

STATE OF WASHINGTON  
STATE INVESTMENT BOARD

Private Markets Committee Meeting  
Minutes

February 6, 2003

The Private Markets Committee met in open public session at 9:04 A.M. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair  
John Charles  
Charles Kaminski  
John Magnuson  
Mike Murphy  
Jeff Seely

Other Members Present: Lee Ann Prielipp

Others Present: Joe Dear  
Gary Bruebaker  
Tom Ruggels  
Linda Buchanan

Jeff Lane, Senior Assistant Attorney General  
Bruce Rauner, GTCR Golder Rauner, LLC  
Eric Becker, Pacific Corporate Group

[Names of other individuals attending the meeting are not included in the minutes, but are listed in the permanent record.]

The meeting convened at 9:04 A.M. with Chair Masten identifying members present.

**ADOPTION OF MINUTES – January 9, 2003**

**Mr. Charles moved to adopt the January 9, 2003, minutes. Mr. Murphy seconded, and the motion carried unanimously.**

**PRIVATE EQUITY – GTCR FUND VIII, L.P. – INVESTMENT RECOMMENDATION**

Mr. Ruggels introduced Eric Becker, Pacific Corporate Group (PCG). Mr. Ruggels stated that staff recommends a \$125 million investment in GTCR Fund VIII, L.P. (GTCR). He explained that the WSIB previously committed \$50 million to GTCR Capital Partners in 1999 and \$125 million to GTCR Fund VII/VIIA in 2000. Mr. Ruggels stated that this investment is consistent with the annual plan previously presented to the Committee. Mr. Ruggels discussed the firm's management team, differentiated strategy and successful track record. He explained that the fund focuses on small to medium corporate restructuring, and does not compete with other partners in the WSIB portfolio.

Mr. Ruggels discussed areas of concern: senior partner turnover and volatility. He explained that the WSIB is on the advisory board, and that the partnership is conservative on valuations.

Mr. Becker discussed the firm's competitive advantage, experience, expertise, extensive network, proprietary deal flow, limited competition, investment professionals, and past performance. He stated that the fund is a strong portfolio fit for the WSIB. Mr. Becker stated that the firm is conservative in its valuations and is consistently a top quartile performer. He described three areas of concern: the firm's mezzanine fund, its high-risk investments, and turnover of key professionals. Mr. Becker concluded that the firm's past performance is very strong and that PCG recommends an investment of up to \$125 million.

Discussion ensued regarding terms and conditions, management fees, possibility of negotiating better terms, depth of the firm's staff, turnover, competition, past performance, PCG's due diligence process, high-risk investments, and portfolio health.

Mr. Rauner, Senior Principal of GTCR, introduced himself. He described the firm's history, strategy, long-term partnerships, investment model, industry focus, long-term perspective, competition, fund size, and opportunities.

Discussion ensued regarding management fees, terms and conditions, investment history and rationale, leverage use, the healthcare sector, and political involvement.

**Mr. Charles moved that the Private Markets Committee recommend to the Board an investment of up to \$125 million, plus fees and expenses, in GTCR Fund VIII, L.P., subject to final negotiation of terms and conditions. Mr. Murphy seconded, and the motion carried unanimously.**

#### **PRIVATE MARKETS CLOSING LOG**

The Private Markets Closing Log was presented for informational purposes.

#### **OTHER ITEMS**

Mr. Charles announced that two new members, Senator James West and Mr. Paul Trause, have joined the committee.

There being no further business to come before the Committee, the meeting adjourned at 10:12 A.M.